

## Message Text

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ACTION EB-07

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 1694

C O N F I D E N T I A L TOKYO 9665

STADIS////////////////////////////////////

E. O. 11652: GDS

TAGS: ENRG, JA

SUBJ: PRODUCER/CONSUMER DIALOG

REF: TOKYO 9471

PERSONAL FROM TOYONAGA TO BOSWORTH EB/ORF

1. ON PURELY INFORMAL BASIS, TOYONAGA REQUESTS BOSWORTH'S COMMENTS ON FOLLOWING SUGGESTION PRESENTED BY MITI MINISTER KOMOTO TO PRIME MINISTER JULY 15 CONCERNING TIMING AND SUBSTANCE OF P/C PREPCON. TOYONAGA SAID KOMOTO TOLD HIM PRIME MINISTER HAD AGREED TO RAISE ISSUE WITH PRESIDENT FORD.

2. ACCORDING TO KOMOTO, U.S. AND JAPAN SHOULD ISSUE JOINT CALL TO CONVENE PREPCON BEFORE OPEC CONFERENCE SEPTEMBER 24 IN ORDER TO STAVE OFF FURTHER PRICE HIKE. FORUM AND VENUE COULD BE SAME AS MAY CONFERENCE IN PARIS, BUT MAIN PURPOSE WOULD BE TO CONVINCE PRODUCERS THAT IMPACT OF NEW PRICE HIKE WILL INDUCE DELAY OF PERHAPS SIX MONTHS TO A YEAR IN RECOVERY OF WORLD'S ECONOMIES. MITI CALCULATES MDR ONE DOLLAR PER BARREL RISE IN PRICE OF OIL WILL RESULT IN BALANCE OF PAYMENTS IMPACTS OF:

- 1) \$7.5 BILLION FOR OECD AS A WHOLE;
- 2) \$2 BILLION FOR JAPAN;
- 3) \$2.5 BILLION FOR NON-OIL PRODUCING LDC'S; AND WOULD IMMEDIATELY INCREASE FOREIGN CURRENCY HOLDINGS OF OPEC BY \$10 BILLION, FURTHER STRAINING RECYCLING MECHANISMS.

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3. ALTHOUGH ALL COUNTRIES WILL SUFFER, INCLUDING OIL PRODUCERS WHO WILL HAVE TO IMPORT HIGHER PRICED FINISHED GOODS, KOMOTO BELIEVES MAJOR CONSUMERS SHOULD STRESS AT PREPCON THAT GREATEST RELATIVE DAMAGE WILL BE INCURRED BY NON-OIL PRODUCING LDC'S, NOT

ONLY FROM OIL BILL POINT OF VIEW BUT DUE TO INEVITABLE RISE IN COSTS OF IMPORTS NECESSARY FOR ECONOMIC DEVELOPMENT AND AGGRAVATION TO DOMESTIC INFLATION. AS IMMEDIATE STEP, U.S. AND JAPAN SHOULD CALL ON INTERNATIONAL ORGANIZATIONS, INCLUDING IEA, TO PREPARE OBJECTIVE ANALYSIS OF OIL PRICE IMPACT AT THIS TIME, ESPECIALLY ON MOST SEVERELY AFFECTED COUNTRIES. ON BASIS OF THESE ANALYSES CONSUMERS AND LDC'S COULD ASK OIL PRODUCERS TO POSTPONE PRICE HIKE UNTIL ECONOMIC RECOVERY WOULD ENABLE ITS ABSORPTION, OR AT LEAST UNTIL MAIN P/C DIALOG PRODUCES AGREEMENT ON NEW PRICING MECHANISM.

4. TOYONAGA SAID FONOFF IS AWARE OF KOMOTO PROPOSAL, BUT HAS NOT TAKEN A POSITION.

5. COMMENT: IN LUNCHEON TALK WITH AMBASSADOR (REF) PRIME MINISTER DID NOT RAISE QUESTION OF PRECISE TIMING FOR P/C DIALOG, AND IN VIEW OF GENERAL TENOR OF THAT CONVERSATION, WE DOUBT THAT PRIME MINISTER HAS AGREED TO GO BEYOND REASSERTING GOJ ADVOCACY OF EARLY RESUMPTION OF DIALOG.  
HODGSON

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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